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UNCLAS SECTION 01 OF 02 PRETORIA 000678

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SUBJECT: SOUTH AFRICA AND CHINA DISCUSS VOLUNTARY
RESTRAINTS ON APPAREL AND TEXTILE TRADE

REF: 05 PRETORIA 4752

1. (U) Summary. The South African Government has raised the problem of inexpensive textile and apparel imports with China. On January 19, the Chinese Ambassador to South Africa announced that China would limit the export of apparel and some textile items to South Africa. On February 3, President Mbeki stated in his State of the Nation address to Parliament that an agreement with China had already been reached. Later in a media briefing, however, the Minister of Trade and Industry admitted that there was no formal agreement because the details still needed to be worked out. The South African clothing and textile industry has not been included in the negotiations. End summary.

Chinese Imports

2. (U) Imports currently account for 27% of the clothing market and 32% of the textiles market in South Africa. Of this, China supplies more than three-fourths of the clothing but less than one-fourth of the textiles. The following table shows China's share of the South African import market for apparel and textiles.

Chinese Import Market Share of the South African Market

	% of total imports
Apparel:	
Volume: 367 million units	87%
Value: \$531 million*	75%
Textiles:	
Volume: 70,351 ton	22%
Value: \$231 million*	24%

Source: The Textile Federation of South Africa
(Texfed) for the period January 2005 to November
2005.

*Note: Assuming a rand/dollar exchange rate of 6.35.

3. (U) South African textile and apparel companies have applied for safeguard protection, but the South African Government has been sitting on the applications while it tries to negotiate a solution directly with China (reftel).

Chinese Announcement

4. (U) On January 19, the Chinese Ambassador to South Africa Liu Guijin announced that China would limit the export of garments and some textile items to South Africa. He added that China would help retrain South African clothing and textile workers who lost their jobs, and that Chinese firms would be encouraged to form partnerships with local firms to make South African industry more competitive.

State of the Nation

5. (U) On February 3, President Mbeki announced in his State of the Nation address to Parliament that the South African Government had reached agreement with China that would protect the South African clothing and textile sector. Later in a media briefing at Parliament, however, the Minister of Trade and Industry Mandisi Mphahla admitted that no formal agreement existed; the details still needed to be worked out.

Industry's View

16. (U) The South African clothing and textile industry is in the dark on negotiations with the Chinese. Industry representatives have been unable to get any information on the matter from the Department of Trade and Industry, but believe talks on voluntary restraints revolve around quotas on exports to South Africa and restrictions on export increases in certain categories.

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